WEEKLY MONEY REVIEW

MIDF Strategy 18 August 2025

Week Ended 15 August 2025

- The UST market retreated for the second consecutive week with the benchmark 10-year yield ended the latest week higher at 4.32% (prior week: 4.28%) as investors reacted to (1) higher than expected PPI, and (2) weaker than expected CSI due to worries over inflation. The 10y-3y yield spread expanded (yield curve steepened) to +60bp (prior week: +55bp) as the long-end underperformed. At week close, the interest rate futures market (based on conditional probabilities) implied 2 rate cuts totaling -50bp (prior week: 3 cuts totaling -75bp) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.45% (prior week: 2.47%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is sanguine that the underlying inflation trend is gradually easing despite the still elevated MTIE.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -6.9bp and -0.4bp to close at 2.95% and 3.36% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +41bp (prior week: +35bp) as the short-end outperformed.
- MGS foreign holdings declined month-on-month to RM291b in July 2025 from RM297b in June 2025. However, it increased year-on-year from RM279b in July 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM17.8b. It declined week-on-week from -RM17.4b registered a week ago. Moreover, it declined year-on-year from -RM247m a year ago.

MBSB RESEARCH is a unit of MBSB INVESTMENT BANK
Kindly refer to the last page of this publication for important disclosures

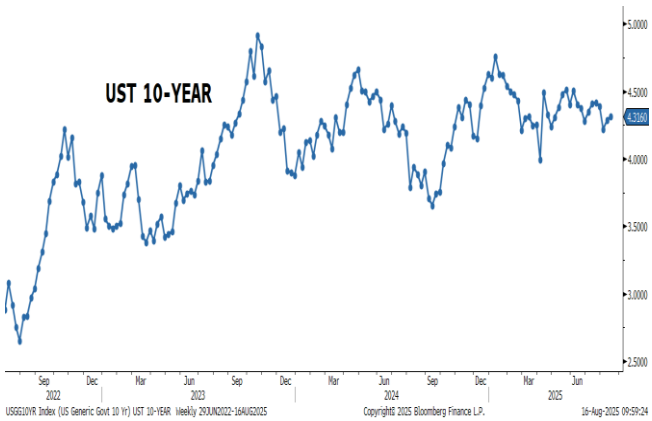
18 August 2025 | Strategy

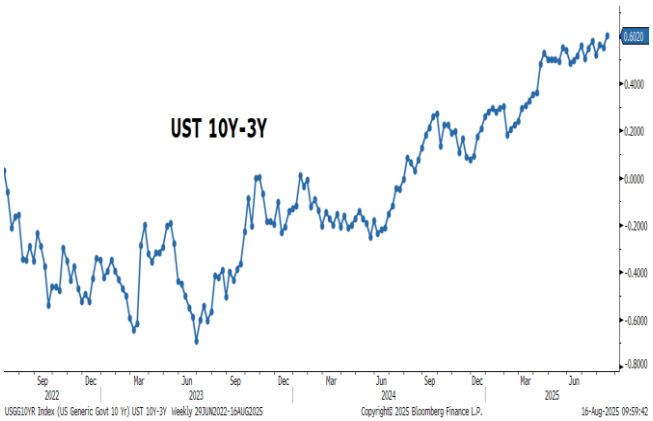
Strategy Team | research@midf.com.my

WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market retreated for the second consecutive week with the benchmark 10-year yield ended the latest week higher at 4.32% (prior week: 4.28%) as investors reacted to (1) higher than expected PPI, and (2) weaker than expected CSI due to worries over inflation. The 10y-3y yield spread expanded (yield curve steepened) to +60bp (prior week: +55bp) as the long-end underperformed. At week close, the interest rate futures market (based on conditional probabilities) implied 2 rate cuts totaling -50bp (prior week: 3 cuts totaling -75bp) in 2025.

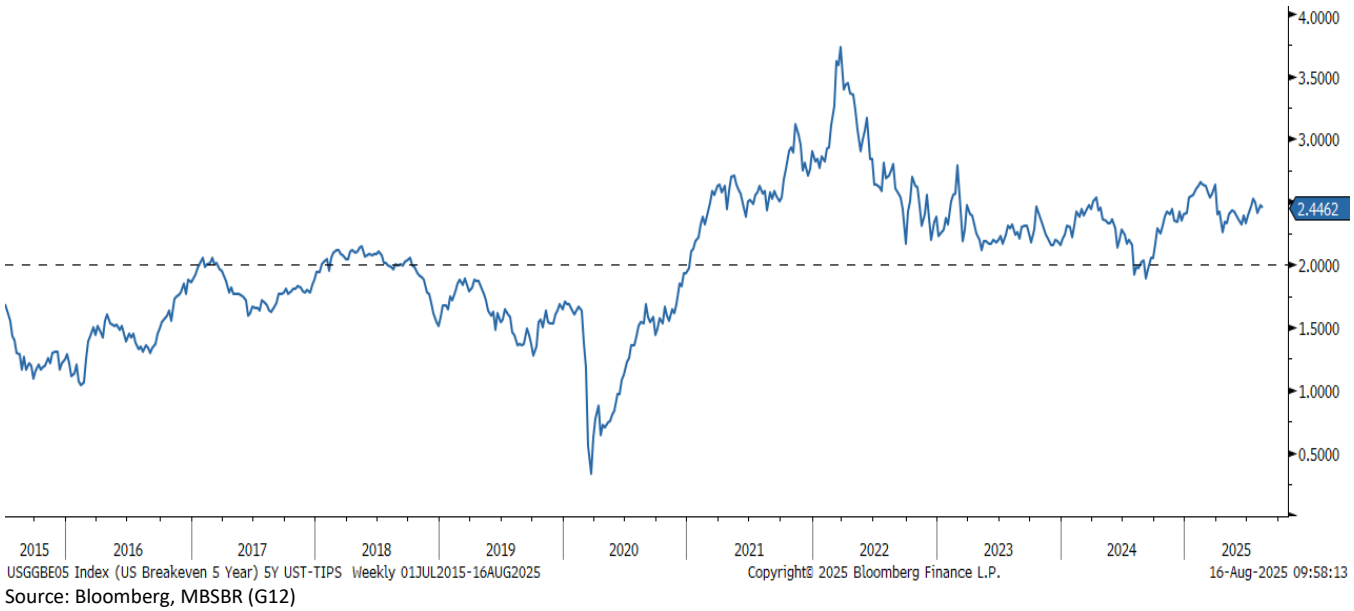




Source: Bloomberg, MBSBR (G8, G9)

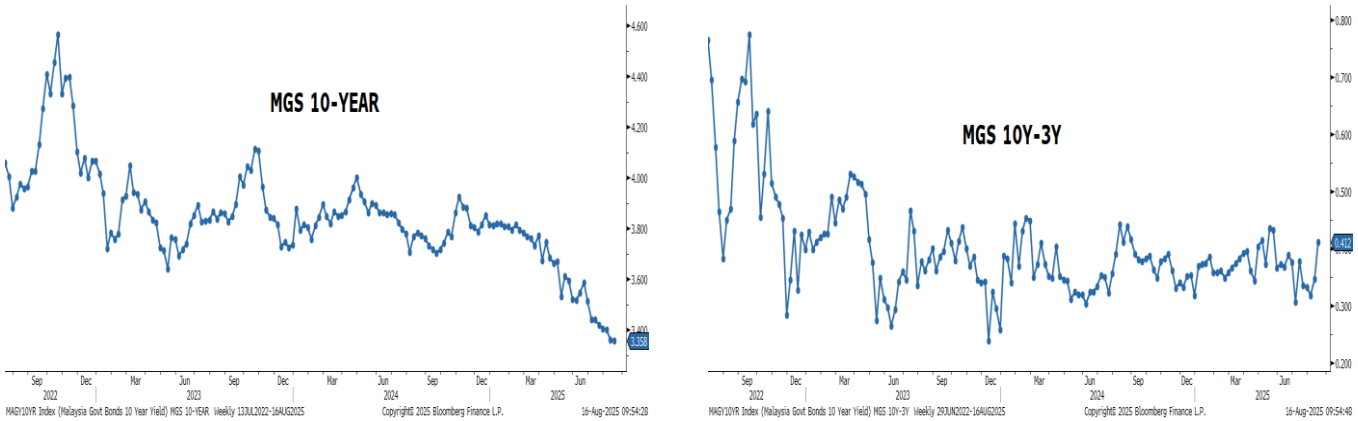
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.45% (prior week: 2.47%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is sanguine and that the underlying inflation trend is gradually easing despite the still elevated MTIE.

MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -6.9bp and -0.4bp to close at 2.95% and 3.36% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +41bp (prior week: +35bp) as the short-end outperformed.

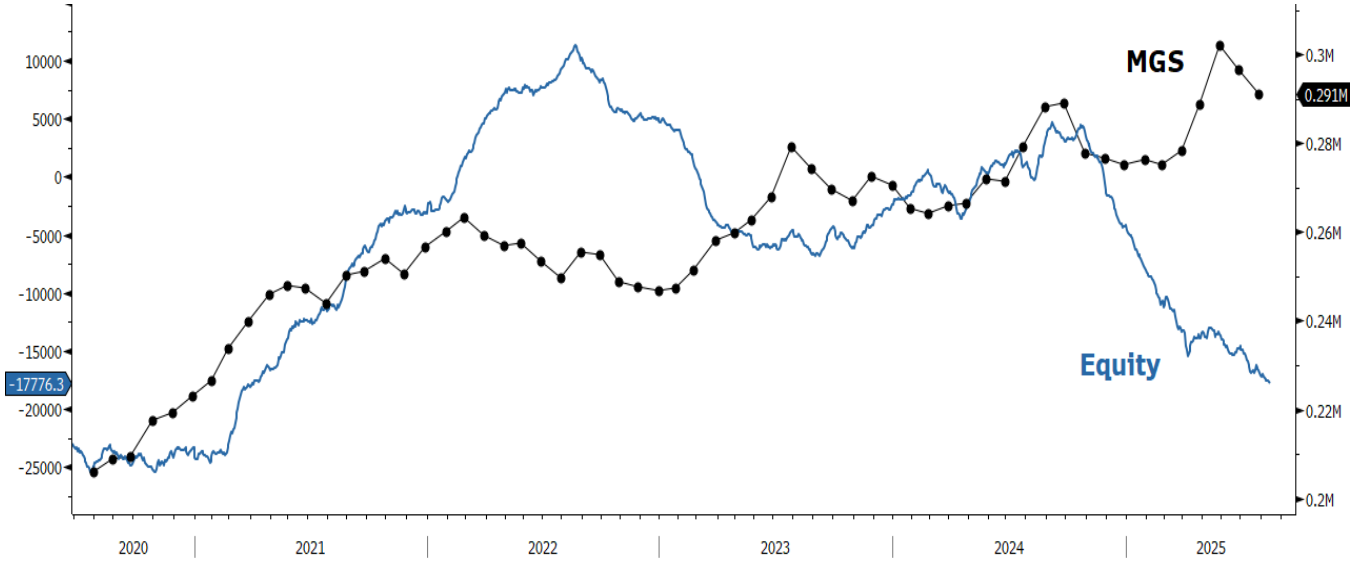


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM44.3b in the review week compared to RM36.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 54% from 47% of the overall Government Bonds trade. Moreover, 9 out of the 10 most actively traded bonds saw lower yields, hence higher prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were MII 3.974% 7/16/40 at RM5.0b, MGS 3.955% 9/15/25 at RM4.0b, and MGS 3.906% 7/15/26 at RM3.8b.

FOREIGN: MGS HOLDINGS & 12-M ROLLING SUM NET EQUITIES TRADE



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings declined month-on-month to RM291b in July 2025 from RM297b in June 2025. However, it increased year-on-year from RM279b in July 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM17.8b. It declined week-on-week from -RM17.4b registered a week ago. Moreover, it declined year-on-year from -RM247m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.4b in the review week compared to RM4.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 29% from 39% of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were Prasarana Malaysia 5.25% 3/6/43 at RM200m, Public Islamic Bank 3.9% 10/23/34 at RM180m, and MKD Kencana 4.85% 10/1/32 at RM140m.

B. FOREIGN EXCHANGE

- USD weakened again last week. The US dollar weakened last week as the DXY declined by -0.3%wow to 97.84 on the back of continued weak sentiment emanating from the weaker labour market, while the latest headline inflation data was softer than market expectations, causing the market to reinforce its conviction for a higher probability of a rate cut for the Sep-25 meeting. However, the core inflation picked up, and the producer prices showed signs of stronger price pressure on producers. In the medium term, we expect the price pressure pass-through into inflation will be a key concern as consumers also indicate higher expectations of inflation. The market performance is expected to remain volatile as President Donald Trump attempts to impose a 100% tariff on imported semiconductors. While safe-haven demand is anticipated to persist, appetite for US assets is expected to moderate, likely leading to a redirection of capital towards alternative safe havens such as the euro, Japanese yen, and gold

- The euro and GBP strengthened last week. As the US dollar weakened, the GBP strengthened by +0.8%wow to USD1.355, despite the rate cut by the Bank of England in the previous week and slight moderation in 2Q GDP growth. Meanwhile, the euro strengthened by +0.4%wow to USD1.170.

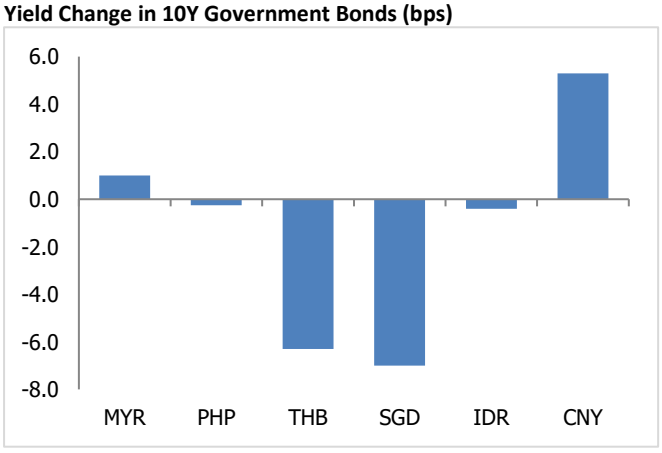
- Ringgit also appreciated. The ringgit ended stronger last week, appreciating by +0.7%wow to RM4.210, on the back of the weaker dollar, added with the healthy labour market data and still encouraging 2QCY25 GDP growth, albeit marginally slower than the advance estimate. The ringgit also strengthened against the currencies of Malaysia's trading partners as our Trade-Weighted Ringgit Index increased by +1.6%wow to 94.91, mainly against the Taiwan dollar (+1.13%wow), Vietnam dong (+0.83%wow), and Australian dollar (+0.83%wow). We expect the ringgit's performance this week will continue to be influenced by the sentiment surrounding the US dollars.

Currencies Changes (Week Ended 16 Aug 2025) and Quarterly Forecasts

	Close 16/08	Prev. Close 08/08	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.84	98.13	-0.292	-0.3	104.0	98.00	97.00	95.00
EURUSD	1.170	1.166	+0.004	+0.4	1.04	1.05	1.07	1.09
GBPUSD	1.355	1.344	+0.011	+0.8	1.26	1.28	1.30	1.32
USDJPY	147.1	147.3	+0.200	+0.1	150.00	147.80	146.70	143.94
USDMYR	4.210	4.241	+0.031	+0.7	4.43	4.28	4.27	4.25
GBPMYR	5.709	5.700	-0.009	-0.2	5.54	5.52	5.44	5.28
JPYMYR	2.850	2.878	+0.028	+1.0	2.93	2.93	2.88	2.83
MIDF TWRI	94.91	93.43	+1.487	+1.6	92.00	93.50	94.10	95.00

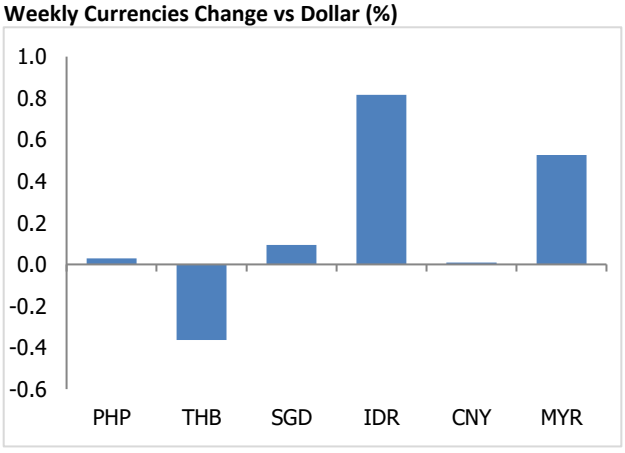
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; MBSBR

Central Bank Policy Rate by Selected Economies (%)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75
Indonesia	6.00	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.25
Philippines	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.25	5.25
Thailand	2.25	2.25	2.00	2.00	1.75	1.75	1.75	1.75	1.50
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	3.00	3.00	2.75	2.75	2.75	2.50	2.50	2.50	2.50
India	6.50	6.25	6.25	6.25	6.00	6.00	5.50	5.50	5.50
Japan	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
UK	4.75	4.75	4.50	4.50	4.50	4.25	4.25	4.25	4.00
Euro area	3.15	2.90	2.90	2.90	2.40	2.25	2.00	2.00	2.00
USA	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50

Source: Bloomberg, MBSBR

- US economic data released last week:
  - Underlying inflation was strong. The US headline annual inflation rate held steady at +2.7%yoy in Jul-25, matching June's rate but below +2.8%yoy predicted by the market consensus. The monthly CPI saw a +0.2%yoy increase, slightly less than June's +0.3%yoy gain. Meanwhile, core inflation rose to a five-month high of +3.1%yoy, surpassing June's +2.9%yoy and exceeding forecasts of 3.0%.
  - PPI picked up strongly. The US PPI inflation in Jul-25, accelerated to +3.3%yoy (Jun-25: +2.4%yoy), which was higher than the market consensus of +2.5%yoy and hit the fastest reading since Jan-25. On a monthly basis, producer prices rose by +0.9%mom following a flat reading in the previous month and marking the quickest increase since Jun-22. Core producer prices, excluding food and energy prices, rose faster by +3.7%yoy (Jun-25: +2.6%yoy), the fastest growth in four months.
  - Unemployment claims eased lower. Initial jobless claims moved slightly lower to 224K for the week ending 9th August (previous week: 227K), in contrast to market expectations for a +3K rise to +228K.

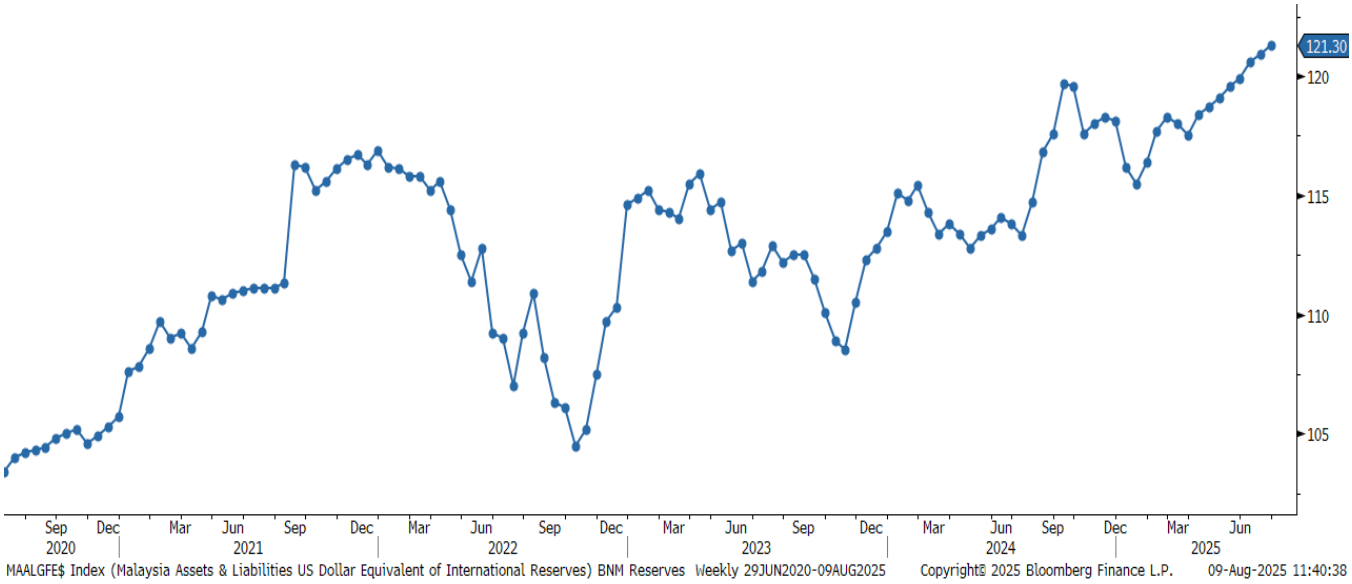
- Interest rates update last week:
  - The Bank of Thailand cut its benchmark interest rate by -25bps to 1.50%, reaching its lowest level since Feb-23, consistent with market expectations. This move comes as Thailand's annual consumer prices fell steeper by -0.7%yoy in Jul-25 (Jun-25: -0.3%yoy), keeping inflation well below the central bank's target range of +1.0-3.0%.
  - Reserve Bank of Australia unanimously cut its cash rate by -25bps to 3.60%, the lowest since Apr-23. This marks the third cut of the year, bringing the total reduction to -75bps, and was in line with market expectations. The RBA decision was made amid a cautious outlook on both domestic and global economic conditions, including potential growth-slowing effects of international trade policies.
  - The Norges Bank, as expected, held its key policy rate at 4.25%. This decision follows a -25bps cut in Jun-25, which was the first reduction in five years. Policymakers stated that while inflation remains above target and monetary policy is still restrictive, they believe a cautious rate of normalisation will likely be appropriate.

- Malaysia's economic update last week:
  - Labour market remained firm and healthy in Jun-25 as the unemployment rate was sustained at 3.0%, maintaining the lowest rate in ten years. This resilience was supported by the stronger employment growth (+3.0%yoy; May-25: +2.9%yoy), which continued to outpace labour force growth (+2.7%yoy; May-25: +2.6%yoy) for the 47th consecutive month since Aug-21.
  - Malaysia's construction sector still encouraging. The value of construction works grew further but moderated to +12.1%yoy in 2QCY25 (1QCY25: +16.6%yoy), reaching a value of RM43.9b and recording thirteenth consecutive quarters of expansion. The growth was the softest since 4QCY23 following broad-based moderation across all sub-sectors.
  - Sustained GDP growth albeit slightly below the advance estimate. Malaysia's GDP growth rose by +4.4%yoy in 2QCY25, unchanged from the previous quarter but marginally lower than the advance estimate of +4.5%yoy. The services sector was still resilient, growing faster at +5.1%yoy (1QCY25: +5.0%yoy), on the back of sustained growth in domestic consumption. In contrast, other major economic sectors recorded a more moderate expansion, while the mining sector registered a sharper contraction during the quarter.

C. BNM INTERNATIONAL RESERVES

- As of 31 July 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD121.3b (15 July 2025: USD120.9b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MBSBR (G14)

- The number of reserves is sufficient to finance 4.8 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	8-Aug Fri	11-Aug Mon	12-Aug Tue	13-Aug Wed	14-Aug Thu	15-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.015	3.02	3.029	2.99	2.95	2.946	-6.9
5-Y	3.089	3.073	3.108	3.073	3.05	3.039	-5
7-Y	3.281	3.273	3.287	3.273	3.254	3.26	-2.1
10-Y	3.362	3.362	3.386	3.378	3.356	3.358	-0.4
20-Y	3.739	3.739	3.741	3.786	3.732	3.728	-1.1
RINGGIT IRS							
1-Y	3.075	3.0563	3.065	3.067	3.05	3.07	-0.5
3-Y	2.985	2.98	3.0025	2.985	2.95	2.98	-0.5
5-Y	3.08	3.055	3.0755	3.045	3.0275	3.055	-2.5
7-Y	3.13	3.1275	3.142	3.1125	3.08	3.115	-1.5
10-Y	3.245	3.255	3.28	3.25	3.205	3.245	0
KLIBOR							
1-M	3	3	3	3	3	3	0
3-M	3.21	3.21	3.21	3.21	3.21	3.21	0
UST							
3-Y	3.7305	3.7333	3.7027	3.6416	3.6972	3.714	-1.65
5-Y	3.8312	3.8364	3.8225	3.7616	3.8137	3.8362	0.5
7-Y	4.0283	4.0335	4.0283	3.9687	4.0231	4.0491	2.08
10-Y	4.2829	4.2849	4.2888	4.2326	4.2849	4.316	3.31
30-Y	4.8494	4.8524	4.8786	4.8253	4.8726	4.9183	6.89

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	8-Aug Yield	15-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.974	07/16/40	3.606	3.584	-2.2	5,046.0
MALAYSIA GOVERNMENT	3.955	09/15/25	2.878	2.949	7.1	4,033.1
MALAYSIA GOVERNMENT	3.906	07/15/26	2.855	2.777	-7.8	3,797.8
MALAYSIA GOVERNMENT	3.519	04/20/28	3.015	2.946	-6.9	2,832.5
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.045	3.010	-3.5	1,696.1
MALAYSIA GOVERNMENT	3.582	07/15/32	3.281	3.260	-2.1	1,471.3
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.253	3.224	-2.9	1,411.3
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	3.004	2.981	-2.3	1,360.8
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	3.075	3.030	-4.5	1,080.0
MALAYSIA GOVERNMENT	3.476	07/02/35	3.362	3.358	-0.4	1,065.1
TOTAL VOLUME (TOP 10)						23,793.8
TOTAL VOLUME (Overall)						44,278.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	8-Aug Yield	15-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	5.25	03/06/43	N/A	3.786	N/A	200.0
PUBLIC ISLAMIC BANK BHD	3.9	10/23/34	N/A	3.598	N/A	180.0
MKD KENCANA SDN BHD	4.85	10/01/32	N/A	3.474	N/A	140.0
SARACAP VENTURES SDN BHD	3.81	06/11/35	3.708	3.689	-1.9	140.0
CIMB GROUP HOLDINGS BHD	4.31	PERP	3.987	3.859	-12.8	120.0
BANK SIMPANAN NASIONAL	3.9	02/12/29	N/A	3.528	N/A	110.0
DANAINFRA NASIONAL	4.68	04/07/42	3.806	3.768	-3.8	100.0
PRASARANA MALAYSIA BHD	4.59	08/29/42	N/A	3.765	N/A	100.0
DANAINFRA NASIONAL	4.04	10/24/30	3.361	3.276	-8.5	100.0
MALAYAN BANKING BHD	4.13	PERP	3.724	3.683	-4.1	91.0
TOTAL VOLUME (TOP 10)						1,281.0
TOTAL VOLUME (Overall)						4,399.8

Source: Bloomberg

MBSB RESEARCH is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (197501002077 (23878-X)). (Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD.

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information provided herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK BERHAD (FORMERLY KNOWN AS MIDF AMANAH INVESTMENT BANK BERHAD): GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock prices are expected to *rise* by >10% within 3 months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock prices are expected to *fall* by >10% within 3 months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell